

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA-AMERICAN WATER COMPANY	DOCKET NO. RPU-01-4
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ORDER APPROVING AMENDED SETTLEMENT AGREEMENT

(Issued February 21, 2002)

On April 17, 2001, Iowa-American Water Company (Iowa-American) filed with the Utilities Board (Board) a request to increase water rates in the Clinton and Quad Cities districts. On August 20, 2001, the Board approved a settlement agreement between Iowa-American and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) that increased rates for the Clinton district by \$460,878 and the Quad Cities district by \$1,576,299.

On December 14, 2001, Iowa-American and Consumer Advocate filed a motion for approval of an amended settlement agreement. The amended settlement agreement increases rates by an additional \$288,783, or 8.05 percent, in the Clinton district and by an additional \$611,998, or 3.43 percent, in the Quad Cities district. The increases reflect additional security costs deemed necessary to protect water supplies subsequent to the September 11, 2001, terrorist attacks in New York City and Washington, D.C. Iowa-American's customers were notified of the proposed increase.

Iowa-American and Consumer Advocate state that amending the settlement agreement is the most cost-effective way to reflect increased security costs. Because the statutory ten-month deadline for Docket No. RPU-01-4 did not expire until February 2002, Iowa-American would have proposed these costs be recovered in the docket in the event a settlement had not been reached with Consumer Advocate. If Iowa-American were required to file another rate proceeding to recover these costs, additional litigation costs would be incurred. As part of the amended settlement, Iowa-American commits not to seek a rate increase until after March 1, 2004, absent extraordinary circumstances.

The Board has the authority to resolve contested cases by unanimous settlement. In evaluating a proposed settlement, the Board examines whether the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. Iowa Code § 17A.12(5) (2001); 199 IAC 7.2(11).

The Board will not provide details on how and where security has been upgraded because public disclosure of this information could compromise the security measures. However, after reviewing the information, the Board is satisfied that the increased security measures are a reasonable precaution to protect the water supply, particularly after the tragic events of September 11. In addition, Iowa-American has committed in the amended settlement not to seek a rate increase until after March 1, 2004, unless extraordinary circumstances are present. This commitment provides rate stability for Iowa-American's customers.

While it is unusual to have an amended settlement agreement filed subsequent to a settlement being approved, in this instance significant litigation costs will be saved. For a litigated case, rate case expense could easily exceed \$350,000. Reasonable litigation expenses are recoverable from ratepayers. Iowa Code § 476.6(8). The amended settlement was filed within the statutory ten-month deadline for this docket.

The Board, after examining the complete record of this proceeding, finds the proposed amended unanimous settlement is reasonable, consistent with law, and in the public interest. The amended settlement will be approved. Iowa-American will be required to file compliance tariffs consistent with the settlement within 20 days of the date of this order.

IT IS THEREFORE ORDERED:

1. The amended unanimous settlement agreement filed by Iowa-American Water Company and the Consumer Advocate Division of the Department of Justice on December 14, 2001, is approved. Pursuant to the settlement, new rates are effective as of the date of this order.
2. Iowa-American Water Company shall file tariffs in compliance with the settlement and this order within 20 days from the date of this order.

3. This order constitutes the final decision of the Utilities Board in Docket No. RPU-01-4.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 21st day of February, 2002.